

Franchise Tax Board**SUMMARY ANALYSIS OF AMENDED BILL**Author: Machado Analyst: John Pavalasky Bill Number: SB 1713Related Bills: See Prior Analysis Telephone: 845-4335 Amended Date: 4-13-04Attorney: Patrick Kusiak Sponsor: _____**SUBJECT:** Conformity To The Military Family Tax Relief Act Of 2003 (MFTRA)

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 20, 2004.
- ☐ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☐ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.
- ☒ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 20, 2004, STILL APPLIES.
- ☒ OTHER - See comments below.

SUMMARY

This bill would conform California law to the changes made by the federal MFTRA.

SUMMARY OF AMENDMENTS

The April 13, 2004, amendments provide a public purpose statement for the operative dates of the relief provided by the bill. In addition, two technical amendments are made.

The remainder of the previous analysis of the bill as introduced February 20, 2004, still applies. The POSITION, a table that summarizes the ECONOMIC IMPACT of this bill, and ARGUMENTS/POLICY CONCERNS, are restated for convenience.

POSITION

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Jana Howard for Brian Putler

4/22/04

SUMMARY REVENUE TABLE
ESTIMATED REVENUE IMPACT OF CONFORMITY TO P.L. 108-121,
THE "MILITARY FAMILY TAX RELIEF ACT OF 2003,"
AS ENACTED NOVEMBER 11, 2003
[Millions of Dollars]

Provision	Effective	Fiscal Years		
		2003-04	2004-05	2005-06
Provisions to Improve Tax Equity for Military Personnel				
1. Exclusion of gain on Sale of Principal Residence by a member of the Uniformed Services or the Foreign Service (IRC 121)	soea 5/6/97	-2	-0.5	-0.5
2. Exclusion from Gross Income of Certain Death Gratuity Payments (IRC 134)	doa 9/10/01	negligible	negligible	negligible
3. Exclusion for Amounts Received Under Department of Defense Homeowners Assistance Program (IRC132)	pma DOE	negligible	negligible	negligible
4. Expansion of Combat Zone Filing Rules to Contingency Operations (IRC 7508)	[1]	negligible	negligible	negligible
5. Modification of Membership Requirement for Exemption from Tax for Certain Veterans Organizations (IRC 501(c)(19))	tyba DOE	negligible	negligible	negligible
6. Clarification of Treatment of Certain Dependent Care Assistance Programs Provided to Members of the Uniformed Services of the United States (IRC 134)	tyba 12/31/02	no impact	no impact	no impact
7. Treatment of Service Academy Appointments as Scholarships for Purposes of Qualified Tuition Programs and Coverdell Education Savings Accounts (IRC 529 and 530)	tyba 12/31/02	negligible	negligible	negligible
8. Suspension of Tax-Exempt Status of Terrorist Organizations (IRC 501)	dmbo/a DOE	negligible	negligible	negligible
9. Above-the-Line Deduction for Overnight Travel Expenses of National Guard and Reserve Members (IRC 162)	apoia 12/31/02	-2.5	-2.3	-2.3
10. Extension of Certain Tax Relief Provisions to Astronauts (IRC 101, 692, and 2201)	[2]	negligible	negligible	negligible
Total		-4.5	-2.8	-2.8

Negligible = \$50,000 or less

Legend for "Effective" column:

apoia = amounts paid or incurred after

doa = deaths occurring after

pma = payments made after

DOE = date of enactment

soea = sales or exchanges after

dmbo/a = designations made before, on, or after

tyba = taxable years beginning after

[1] The provision applies to any period for performing an act that has not expired before the date of enactment.

[2] Generally effective for qualified individuals whose lives are lost in the line of duty after December 31, 2002.

ARGUMENTS/POLICY CONCERNS

The MFTRA made the exclusion of gain on sale of a principal residence effective as if included in the Taxpayer Relief Act of 1997, and allowed a one-year period (i.e., until November 11, 2004) for filing amended returns for any years otherwise closed on November 11, 2003. This bill would make the California provision effective for the same periods. However, the practical effect of California using the same cut-off date as federal (i.e., only until November 11, 2004) would be to provide a potentially very short period for filing those amended returns. The author may wish to provide a later cut-off date for California amended returns, such as six months to a year from the date of enactment of this bill.

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